

ABSTRACT

This study examines the effect of ESG on firm value and tests whether green innovation mediates this relationship. The study has four objectives: (1) to assess the impact of the ESG pillars on green innovation, (2) to examine the impact of the ESG pillars on firm value, (3) to analyze the effect of green innovation on firm value, and (4) to evaluate the mediating role of green innovation in the relationship between the ESG pillars and firm value.

The study uses panel data from 12 companies over the 2020–2024 period, comprising 60 observations. It applies a quantitative approach based on secondary data, including environmental (E), social (S), and governance (G) scores; green innovation measured by PROPER ratings; and firm value measured by Tobin's Q. The data are drawn from sustainability reports, ESGi, and Bloomberg.

The findings indicate that the governance pillar is the only ESG dimension that positively influences firm value, both directly and through green innovation. Green innovation is shown to positively affect firm value and helps in moderating the relationship between governance pillar and firm value.

Keywords: ESG, firm value, green innovation

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